

Message Text

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INFO AMEMBASSY TOKYO

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PASS TREASURY FOR BENNETT

E.O. 11652: GDS

TAGS: EFIN, OECD, EINV, ENRG

SUBJECT: PROPOSED EXPANSION OF MANDATE OF VAN YPERSELE
GROUP

REF: A) STATE 55605; B) STATE 52728; C) OECD PARIS
5997; D) OECD PARIS 5996

1. SUMMARY. OECD COUNCIL DISCUSSED AT LENGTH SECGEN'S
PROPOSAL FOR EXPANSION OF MANDATE OF VAN YPERSELE
GROUP. SEVERAL DELEGATIONS UNINSTRUCTED AND/OR
FEELING NEED OF MORE COMPLETE EXPLANATION AS TO
PURPOSE OF EXPANDED MANDATE. DISCUSSION ALSO COMPLICAT-
ED BY LAST-MINUTE FRENCH ALTERNATIVE PROPOSAL FOR
CREATION OF GROUP UNDER EPC. JAPANESE INDICATED
AGREEMENT IN SUBSTANCE BUT DOUBT WHETHER ANY NEW GROUP
NEEDED TO BE ESTABLISHED. FURTHER DISCUSSION POSTPONED
UNTIL COUNCIL MEETING MARCH 18. END SUMMARY.

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2. ON MARCH 13, OECD COUNCIL DISCUSSED SECGEN'S PROPOSAL FOR EXPANDED MANDATE FOR VAN YPERSELE AD HOC GROUP TO CONSIDER VARIOUS MONETARY AND FINANCIAL ISSUES ARISING IN CONTEXT OF OIL CONSUMER PRODUCER RELATIONS, INCLUDING POSSIBLE CREATION OF INVESTMENT BANKS OR FUNDS (REF C). COMMENTS BY SEVERAL COUNTRIES MADE CLEAR THAT THEY EITHER HAD NO FINAL INSTRUCTIONS OR THAT THEY FELT CONFUSED ABOUT THE NEED FOR EXPANDED MANDATE AND HOW IT FIT IN WITH TASKS ASSIGNED TO OTHER BODIES IN OECD AND IN IEA (PARTICULARLY PARSKY AD HOC GROUP ON FINANCIAL QUESTIONS). JAPAN WAS ONLY COUNTRY WHICH INDICATED IT HAD NEGATIVE INSTRUCTIONS. JAPANESE REP SAID THAT WHILE JAPAN SUPPORTED NEED FOR DOING THE SUBSTANTIVE WORK OUTLINED IN THE SECRETARY-GENERAL'S PROPOSAL, IT FELT THESE TASKS COULD BE ASSIGNED TO EXISTING GROUPS (E.G. INVESTMENT COMMITTEE, XCSS, EPC, IEA) AND DOUBTED ADVISABILITY OF EXPANDING MANDATE OF VAN YPERSELE GROUP FOR THIS PURPOSE.

3. FRENCH PERMREP (VALERYJ INTRODUCED ADDITIONAL COMPLICATION BY CIRCULATING ALTERNATIVE PROPOSAL. FRENCH STATED THAT THEY WERE IN FULL AGREEMENT WITH THE OBJECTIVES AND URGENCY OF TASKS DESCRIBED IN SECGEN'S PROPOSAL, BUT FELT THAT PROCEDURALLY, IN LINE WITH FRANCE'S TRADITIONAL STANCE AGAINST PROLIFERATION OF OECD BODIES, ASSIGNMENTS IN QUESTION SHOULD BE CARRIED OUT WITHIN FRAMEWORK OF EPC. THE FRENCH PROPOSAL READS AS FOLLOWS: BEGIN TEXT

THE COUNCIL

(A) INSTRUCTED THE ECONOMIC POLICY COMMITTEE TO EXAMINE AS SOON AS POSSIBLE THE ECONOMIC, MONETARY AND FINANCIAL PROBLEMS THAT COULD ARISE IN THE RELATIONS BETWEEN MEMBER COUNTRIES AND OIL-PRODUCING COUNTRIES. THESE ISSUES SHALL NOT INCLUDE MATTERS RELATING TO INVESTMENT WITHIN THE MANDATE OF THE COMMITTEE ON INTERNATIONAL INVESTMENT AND MULTINATIONAL ENTERPRISES;

(B) AGREED TO CREATE TO THIS END WITHIN THE ECONOMIC LIMITED OFFICIAL USE

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POLICY COMMITTEE, A SPECIALISED WORKING PARTY OPEN TO ALL MEMBER COUNTRIES. THIS WORKING PARTY SHALL REPORT TO THE ECONOMIC POLICY COMMITTEE. END TEXT

4. U.S. SUPPORTED EXPANSION OF VAN YPERSELE GROUP DRAWING ON REFERENCES A) AND) AND A FEW OTHER DELEGATIONS, SUCH AS BELGIUM, CANADA, AND U.K., NOTED WOULD HAVE BEEN IN A POSITION TO APPROVE SECGEN'S

PROPOSAL.

5. VAN LENNEP WAS CRITICAL OF FRENCH COUNTER-PROPOSAL, ARGUING THAT USE OF EPC FRAMEWORK WAS CUMBERSOME AND HE COULD NOT GUARANTY THAT GROUP SET UP UNDER EPC AUSPICES COULD DO JOB IN TIMELY MANNER. EVEN THOUGH LEGALLY THE COUNCIL HAS POWER TO CREATE SUB-GROUPS OF STANDING COMMITTEES, FACT THAT RELATIONSHIP WOULD HAVE TO BE ESTABLISHED WITH EPC AND THAT UNDER FRENCH

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PROPOSAL GROUP WOULD REPORT TO EPC, RATHER THAN TO COUNCIL' CREATED FACTORS OF COMPLICATION AND DELAY. U.K. PERM REP (GALLAGHER), ON PERSONAL BASIS, ALSO QUESTIONED LINK TO EPC. HE STATED THAT EPC CHAIRMAN, SIR DOUGLAS ALLEN, HAD NOT BEEN CONSULTED AND "MIGHT HAVE VIEWS ON THE SUBJECT" AND THAT EPC WAS HIGH-LEVEL BODY WHICH DIFFICULT TO MOBILIZE FOR KIND OF OPERATION-

AL TASKS BEING CONTEMPLATED. BELGIAN DELEGATE VOICED SIMILAR VIEWS AND IN VEILED TERMS IN EFFECT VOICED CONCERN THAT THERE WAS DANGER OF COMPLICATIONS FOR A RESTRICTED WP-3 IF ANOTHER BODY WITH PLENARY MEMBERSHIP WERE CREATED INSIDE EPC (E.G. AS WORKING PARTY 5) WHICH WOULD DEAL WITH MATTERS THAT HAD SOME OVERLAP WITH INTERESTS OF WP-3. HE SUGGESTED THERE WAS NOT SIMILAR POTENTIAL PROBLEM IN CASE OF AD HOC WORKING PARTY OUTSIDE OF EPC WHICH WOULD CLEARLY HAVE LIMITED LIFESPAN.

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6. SECGEN ADMITTED SECRETARIAT HAD PERHAPS NOT SUFFICIENTLY CLARIFIED PURPOSE OF EXPANDED MANDATE FOR VAN YPERSELE GROUP, BUT FAILURE TO LIST SPECIFIC ISSUES OTHER THAN INVESTMENT FUND) WITHIN PROPOSED MANDATE WAS DELIBERATE IN THAT ANY LISTING MIGHT NOT BE INCLUSIVE ENOUGH, IT ALWAYS BEING POSSIBLE THAT NEW FINANCIAL AND MONETARY ISSUES MIGHT ARISE AS WE WERE MOVING TOWARD PRODUCER CONSUMER DIALOGUE. HOWEVER, SECGEN DID READ OUT LIST OF TOPICS MENTIONED UNDER CATEGORIES I AND II OF IEA/SPC(75)7 (SEE REF A) AND D)), WITHOUT IDENTIFYING THE SOURCE.

7. DESPITE VAN LENNEP URGING THAT COUNCIL MAKE QUICK DECISION WHICH WOULD ENABLE HIM TO BE IN TOUCH WITH VAN YPERSELE GROUP WHICH MEETING THIS WEEK IN PARIS, IT BECAME CLEAR THAT COUNCIL WAS NOT READY TO TAKE SUCH DECISION. ACCORDINGLY, IT WAS AGREED TO RETURN TO THE SUBJECT AT COUNCIL MEETING ON MARCH 18.

8. IN CLOSING DISCUSSION THIS ITEM, VALERY ARGUED THAT CONSENSUS AND OBJECTIONS REGARDING FRENCH PROPOSAL COULD BE READILY ACCOMMODATED. HE THOUGHT ONLY POINT OF SERIOUS CONCERN WAS THAT GROUP WOULD REPORT TO EPC WHICH, IN VIEW INFREQUENT MEETINGS OF THAT BODY, MIGHT CAUSE DELAY. HE UNDERTOOK TO TAKE MATTER UP WITH HIS AUTHORITIES AND WITH SECGEN TO SEEK DEVISE FORMULA WHICH WOULD ELIMINATE THIS RISK. VAN LENNEP IN TURN SAID HE WOULD CONSULT WITH FRENCH ON POSSIBLE ACCOMMODATION OF THE TWO PROPOSALS BEFORE MARCH 18.

9. COMMENT: PROBLEM AT THIS COUNCIL MEETING WAS THAT SECRETARIAT HAD NOT ADEQUATELY PREPARED THE GROUND WITH SOME OF THE PERMANENT DELEGATIONS OF SMALLER COUNTRIES, AND THAT FRENCH HAD SURFACED LAST MINUTE PROPOSAL WHICH HAD NOT BEEN CAREFULLY DISCUSSED IN ADVANCE WITH SECRETARIAT AND OTHER DELEGATIONS. FROM WHAT WE WERE ABLE TO GATHER IN CORRIDOR BEFORE AND

AFTER MEETING, FRENCH ARE MAINLY CONCERNED ABOUT
FORMAL AFFILIATION OF GROUP TO EXISTING OECD
PERMANENT STRUCTURE AND HAVE NO PROBLEM ABOUT
CHAIRMANSHIP OR NATURE AND FUNCTIONS OF GROUP
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AS DESCRIBED IN SECGEN'S PROPOSAL. CONTACTS BETWEEN
SECRETARIAT AND FRENCH SHOULD CLARIFY THIS SHORTLY.
WE NEED TO KNOW FROM WASHINGTON WHETHER, IF SECRETARIAT
AND FRENCH CAN WORK OUT FORMULA WHICH DOES WHAT WE

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HAVE IN MIND FOR VAN YPERSELE GROUP (POSSIBLY KEEPING VAN

YPERSELE AS CHAIRMAN), THERE IS ANY OBJECTION TO GROUP
BEING FORMALLY DESIGNATED AN EPC AD HOC WORKING PARTY OR
A "WORKING PARTY 5"

10. JAPANESE PROBLEM. JAPAN'S NEGATIVE POSITION
AT COUNCIL WAS BASED ON INSTRUCTIONS. JAPANESE
PERMREP SUBSEQUENTLY TOLD MBASSADOR TURNER THAT HE WAS
QUITE SURPRISED BY NEGATIVE INSTRUCTIONS HE RECEIVED,
PARTICULARLY SINCE HE HAD HEARD FAVORABLE COMMENTS ON
EXPANSION OF MANDATE FROM SENIOR GOJ OFFICIAL AT OECD FOR
MEETING LAST WEEK. HE HAS REPORTED TO TOKYO THAT JAPAN
IS ISOLATED ON THIS ISSUE AND RECOMMENDED POSITIVE
INSTRUCTIONS. WHILE WE WILL CONTINUE TO PURSUE MATTER
WITH JAPENSE HERE, HERE WASHINGTON MAY WISH TO CONSIDER
PROMPT BILATERAL CONTACTS IN TOKYO TO HELP SOFTEN
JAPANESE VIEWPOINT AND PROVIDE CLARIFICATION FOR WHAT MAY
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BE GENUINE JAPANESE MISUNDERSTANDING ABOUT OBJECTIVES
BEING SOUGHT.

QQM ACTION REQUESTED: WOULD APPRECIATE INSTRUCTIONS
PRIOR TO MARCH 2.
TURNER

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